Brand rehab

A surprising number of companies spend some time in the clinic.

THE venerable Augusta National Golf Club has been playing host to the Masters Tournament since 1934. But this year it is also playing host to another great drama, the relaunching of the most valuable personal brand in the world. Tiger Woods's penchant for cocktail waitresses and porn actresses ended up costing an astonishing amount of money: two economists at the University of California, Davis, have calculated that his biggest corporate sponsors, such as Nike and Gatorade, saw as much as $12 billion wiped off the value of their shares in the wake of the scandal. But Mr Woods's warm reception at Augusta suggests that he is well on his way to recovering his star power.

Brand Tiger is thus likely to join a long list of brands that have come back refreshed after a spell in rehab. These include not just the predictable roster of celebrity brands such as Martha Stewart and Kobe Bryant, but also a surprising number of solid corporate citizens such as Johnson & Johnson and Coca-Cola. Brand-threatening scandals are becoming a regular feature of the corporate landscape, thanks to a toxic mixture of globalisation, which scatters corporate activities hither and yon, and the internet, which allows bad news to spread like wildfire. Oxford Metrica, a consultancy, estimates that executives have an 82% chance of facing a corporate disaster within any five-year period, up from 20% two decades ago. Indeed, just the day after Mr Woods made his return to golf, the American government fined Toyota over $16m for its tardiness in addressing safety concerns.

The key to a successful relaunch lies in making a cool-headed assessment of how much the scandal damages your company. Does it involve life and limb, rather than less consequential matters? Has it spread beyond particular products or particular divisions to afflict the entire corporate brand? If the answer to both questions is yes, then companies are well advised to go into collective overdrive; if it is no, then they can experiment with more nuanced responses, such as lopping off a tainted product or sacrificing a rogue division.

Marsh & McLennan and JetBlue provide good examples of companies that took a no-holds-barred approach to brand rehabilitation. In 2004 Marsh & McLennan was accused of taking kickbacks to recommend insurance providers to its clients, an accusation that went to the very heart of its identity as one of the country's biggest insurance brokers. The firm was not content with issuing grovelling apologies and paying $850m in compensation. It also appointed a new boss, Michael Cherkasky, who was the head of its financial-investigation division, Kroll. Mr Cherkasky proceeded to de-emphasise the insurance business and boost other divisions, such as Mercer Consulting and Kroll.

In 2007 bad weather presented JetBlue with a nightmare of its own. Thousands of passengers were left stranded and one planeload of unfortunates spent eight hours sitting on the tarmac, with precious little food or drink to sustain them. The company's founder and boss David

Neeleman immediately recognised that this made a mockery of his promise to “bring humanity back to air travel”. He threw himself into dealing with the problem, issuing public apologies, telling his employees to contact passengers personally by phone and e-mail, producing a retroactive passengers’ “Bill of Rights” and ponying up around $25m in compensation.

The JetBlue case underlines two of the most important rules of successful crisis management. First, the boss needs to take charge. This means sidelining corporate cluck-cluckers such as lawyers (who worry that any admission of guilt will lead to lawsuits) or financial officers (who obsess about the bottom line). It also means putting the survival of the company above personal considerations (Mr Neeleman stepped down three months after the crisis). Many of the most damaging crises, by contrast, have resulted from foot-dragging at the top—as appears to be the case with Toyota today.

The second rule is that crisis-racked firms should redouble their focus on their customers. One former aide to George Bush junior, David Frum, tells the story of another, Karen Hughes, who sees a small plane towing a banner reading, “Jill, please come back. I am nothing without you. Jack.” Her response is, “Wrong message. It’s too much about you, not enough about her.”

Companies have a habit of acting like Jack when their brands are in trouble—talking endlessly about how they are fixing this or reorganising that. But most successful decontaminators look at the world’s from Jill’s point of view. Johnson & Johnson’s handling of the Tylenol crisis (when an unidentified attacker poisoned some bottles of the painkiller) is the gold standard of crisis management because the company simply recalled all Tylenol without hesitation or demur. Similarly, Edward Breen, the boss of Tyco, rescued the conglomerate’s reputation after his predecessor, Dennis Kozlowski, was imprisoned, by launching a public-relations campaign that focused on what the company’s products do to improve people’s lives.

Never waste a crisis

Crises can even give brands a long-term boost, provided the rehabilitation is properly handled. Coca-Cola emerged stronger from its disastrous recipe change in 1985. In response to widespread outrage from customers, it reverted to the original formulation within three months. The whole episode reminded consumers of their fierce attachment to Coke, and thus ended up increasing sales. Tiger Woods, too, could well emerge with added lustre from his own debacle. There is nothing Americans like more than a redemption story—particularly when the man being redeemed is supremely good at his job.

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